

Message Text

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11

ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 AF-10 NEA-10 IO-14 EB-11 COME-00 INT-08

SCEM-02 TRSE-00 OMB-01 DRC-01 /149 W

----- 060387

R 100646Z JAN 74

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 1963

INFO AMEMBASSY TOKYO

AMEMBASSY TAIPEI

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMEMBASSY BANGKOK

AMCONSUL HONG KONG

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E.O. 11652: DECLASSIFY 1/10/75

TAGS: ENRG KS

SUBJECT: PETROLEUM SITUATION KOREA

REF: A SEOUL 8472, B SEOUL 8616 NOTAL

C SEOUL 8543 NOTAL

SUMMARY: WITH SUPPLY SITUATION RETURNING TO NORMAL, KOREAN OFFICIALS HAVE SHIFTED ATTENTION TO LONGER-TERM IMPLICATIONS OF OIL PRICE INCREASES AND KOREA'S PRESENT DEPENDENCE ON JAPAN FOR PETROCHEMICAL IMPORTS. END SUMMARY

1. WITH ARAB RESTRICTIONS ON CRUDE OIL SUPPLY TO KOREA APPARENTLY EASED, ATTENTION IS TURNING TO IMPLICATIONS OF PRICE INCREASES FOR HIGH GROWTH POLICY IN 1974. IF ACTUAL LANDED COST OF CRUDE EQUALS

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DOLS. 9/BBL., BALANCE OF PAYMENTS COST OF 110-130

MILLION BARRELS CRUDE OIL DEMAND ESTIMATED IN 1974 WILL RANGE FROM ABOUT DOLS. 1.0 TO DOLS. 1.2 BILLION, ROUGHLY THREE TO FOUR TIMES 1973 COST. ECONOMISTS PREPARING ORB (OVERALL RESOURCES BUDGET OR OFFICIAL ECONOMIC FORECAST) FOR 1974 ARE ALSO ESTIMATING EXTERNAL DEMAND AND PRICE CHANGES AND THEIR EFFECT ON BOP AND ECONOMY. WHILE SOME OPTIMISTIC COMMENTS RE 1974 GROWTH OUTLOOK ARE APPEARING IN PRESS, ROKG DOES NOT PLAN RELEASE ORB UNTIL LATE JANUARY, AFTER ANNOUNCEMENT OF OIL AND OTHER PRICE INCREASES. MEANWHILE, PRELIMINARY 1973 RESULTS APPEAR TO BE IN LINE WITH MAGNITUDES REPORTED IN REF C(C), E.G. BANK OF KOREA HAS ESTIMATED 1973 GNP INCREASE IN REAL TERMS AT 16.9 PERCENT.

2. COMMERCE AND INDUSTRY MINISTER CHANG HAS ACCOUNCED THAT OILLPRODUCT SUPPLIES WILL BE INCREASED BY TWENTY PERCENT IN JANUARY OVER DECEMBER, ALLOW-ING RESUMPTION OF NORMAL DISTRIBUTION TO INDUSTRY AND FOR HOME HEATING. ACCORDING TO OTHER MCI OFFICIALS, EMERGENCY TASK FORCE ON OIL SUPPLIESHAS MOVED FROM DAILY TO TWICE-WEEKLY OPERATION, MAINLY TO MAINTAIN STRUCTURE IF NEEDED AGAIN. INDUSTRY SOURCES INDICATE THAT SUPPLY SITUATION HAS NOT BEEN SMOOTHED OUT YET, BUT MAY BE BY END OF JANUARY.

3. MCI MINISTER ALSO SAID THAT GOVERNMENT STILL INTENDS TO DEVELOP LARGE SCALE PETROCHEMICAL INDUSTRY, INCLUDING FOURTH, FIFTH AND SIXTH REFINERIES NECESSARY TO PROVIDE DOMESTIC SUPPLY OF PETROCHEMICAL FEEDSTOCKS FOR SYSTHETIC FIBER AND TEXTILE PRODUCT EXPORTS. SUPPLY UNCERTAINTIES SINCE OCTOBER FOR DOWNSTREAM INTERMEDIATE PRODUCTS FROM JAPAN HAVE BEEN MAJOR CONCERN FOR KOREA. CHANG ANNOUNCED THAT TENTATIVE APPROVAL OF THREE JAPANESE-KOREAN VENTURES FOR CONSTRUCTION OF THREE NEW REFINERIES HAS BEEN RE-VOKED DUE TO FAILURE TO SUBMIT PROJECT PLANS BY DECEMBER 31 DEADLINE. WHILE CHANG'S ANNOUNCEMENT MAY HAVE BEEN DESIGNED TO PUT PRESSURE ON JAPANESE, IT APPEARS TO OPEN WAY FOR NEW APPLICATIONS BY OTHER LIMITED OFFICIAL USE

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INVESTORS, IF ANY, WITH GUARANTEED CRUDE OIL SUPPLIES.

4. AS PART OF NEW "RESOURCE DIPLOMACY" FORMER MCI ENERGY BUREAU CHIEF HAS BEEN SENT ON LOGN TERM TDY TO KOREAN MISSIONS IN MID-EAST AND ADDITONAL COMMERCIAL ATTACHES ARE TO BE ASSIGNED.

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Message Attributes

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